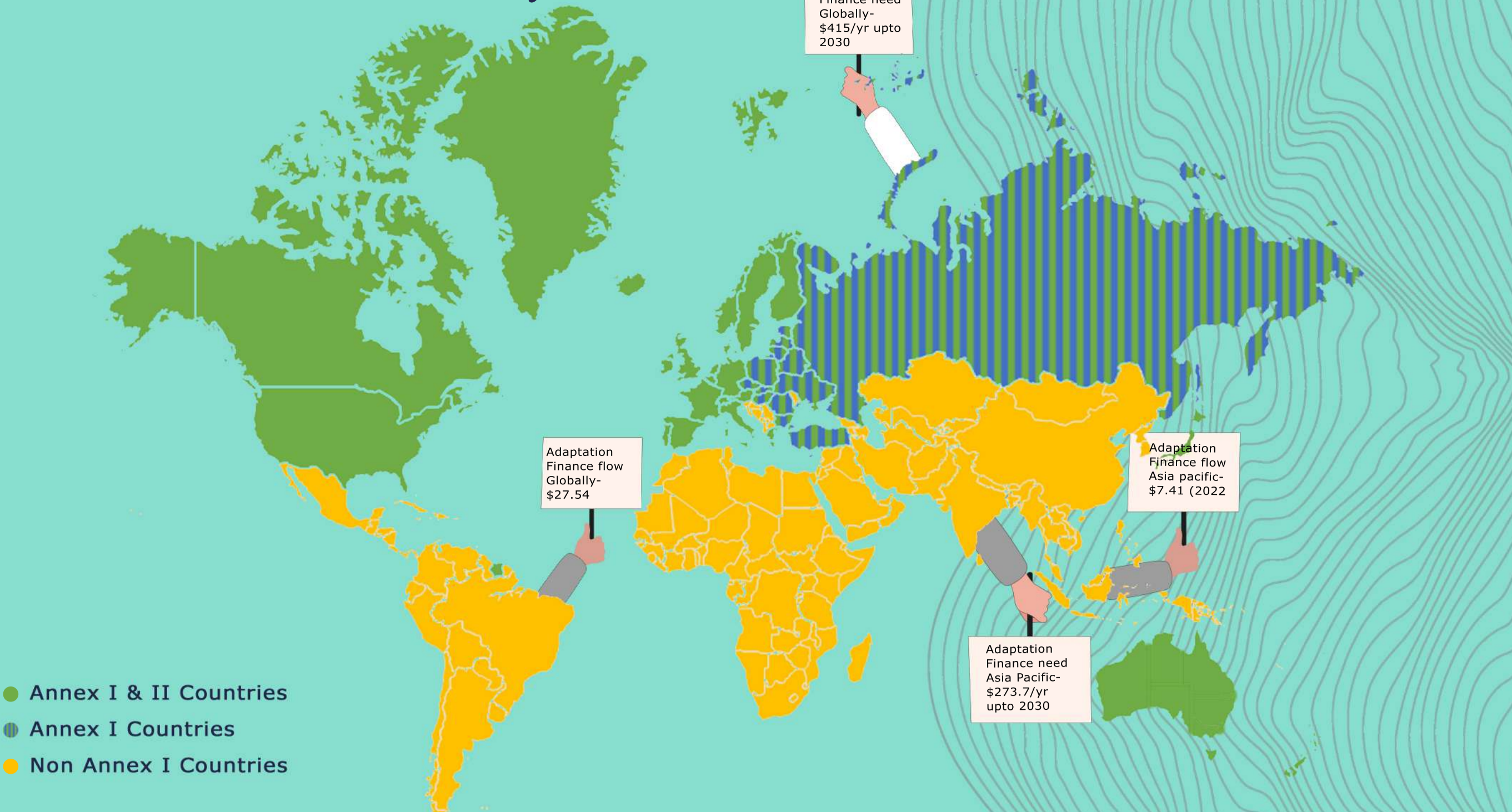


Understanding Adaptation & Climate Finance

The Road to COP29 and Beyond



- Annex I & II Countries
- Annex I Countries
- Non Annex I Countries

Annex and Non Annex Countries

Source: AGR 2024

Historical Context

Why Climate Finance Matters

Climate change affects us all, but its impact is not equally distributed. As the world comes together to address this global challenge, climate finance plays a crucial role.

The Global Picture

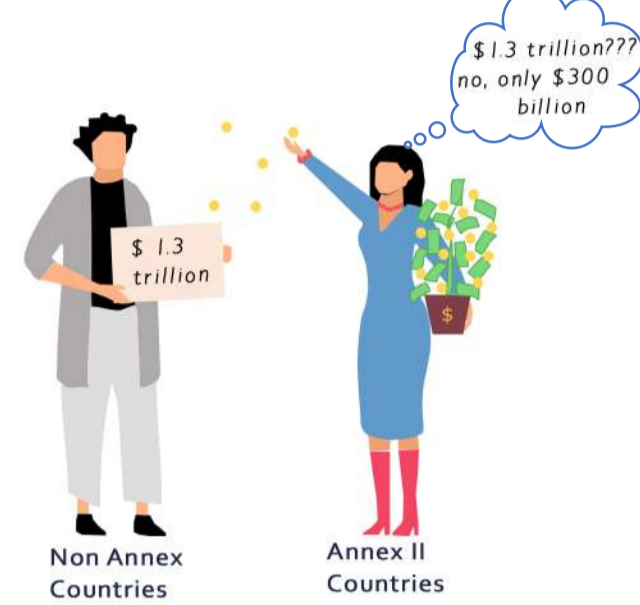
- Annex I Countries are industrialized countries primarily OECD members plus countries with economies in transition (the EIT Parties), who benefited from early industrialization but also contributed significantly to greenhouse gas emissions.
- Annex II Countries are subset of Annex I countries responsible for providing financial resources to developing countries and transfer of environmentally friendly technologies to EIT Parties and developing countries.
- Non Annex Countries are mostly developing countries, particularly vulnerable to climate change impacts despite contributing less to the problem.

The Principle of Fairness

Developed countries bear a historical responsibility for climate change due to their industrial activities since the 18th century. This led to the principle of "common but differentiated responsibilities and respective capabilities" (CBDR-RC) that states developed countries should:

- Take the lead in reducing emissions.
- Provide financial support to developing nations for climate adaptation.

The Paris Agreement reaffirms these obligations, encouraging voluntary contributions from all Parties.



The Time Line

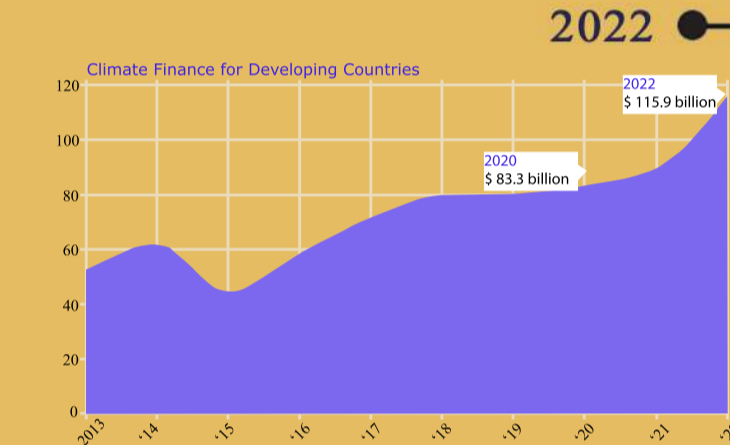
The Climate Finance Journey- NCQG

The New Collective Quantified Goal (NCQG) on climate finance is a key element of the Paris Agreement. It aims to set a new financial target to support developing countries in their climate actions post-2025.

2009 ● Developed countries pledged to mobilize \$100 billion annually by 2020 for climate action in developing countries.

2015 ● The Paris Agreement extended this goal to 2025, with plans for a new finance target (NCQG), from a floor of USD 100 billion per year.

The Goal of \$100 billion annually by 2020 was only met in 2022



2024 ● The NCQG agreed upon at the COP29 replaces the previous 2009 commitment to mobilize \$100 billion per year by 2020 and through 2025, with a new agreement setting an upgraded finance goal of at least \$300 billion annually by 2035.

The Parallel Journey of GGA



UAE FGCR- Seven key sectors

The Global Goal on Adaptation (GGA) aims to improve adaptive capacity, resilience, and reduce climate vulnerability. GGA guides adaptation on seven key sectors.

It outlines four key targets linked to national policy cycles, starting with climate risk assessments, followed by adaptation plans, implementation, and ongoing evaluations to track progress.

2021 ● At COP26 in Glasgow, the Glasgow-Sharm el-Sheikh Work Programme on the GGA was launched to advance understanding, implementation, and tracking of adaptation efforts under the Paris Agreement.

2023 ● At COP28 in the UAE, parties agreed on the UAE Framework for Global Climate Resilience, which serves as the overarching framework for the GGA, outlining thematic and dimensional targets for climate adaptation and resilience. Initiated the The UAE-Belem Work Programme - focusing on developing indicators to measure adaptation progress on seven key sectors over two years.

2024 ● While discussions on the GGA faced challenges, negotiators agreed to include indicators for tracking means of implementation as part of the final framework, which is set to be decided at COP30.

Policy Instruments for Climate Finance

COP 29 explicitly decided that a key intention of the New Collective Quantified Goal (NCQG) is to support the implementation of developing countries' Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and Adaptation Communications (ACs), including those integrated into NDCs. These instruments are widely used by UNFCCC parties to drive climate action, particularly for advancing climate adaptation and finance by providing frameworks for planning, implementation, and reporting.

- NDCs** NDCs are central to the Paris Agreement, outlining each country's commitment to reducing emissions and adapting to climate impacts. They reflect both mitigation and adaptation goals.
- NAPs** NAPs focus on the "how" of adaptation, identifying medium- and long-term needs and translating them into actionable strategies, guided by the latest climate science.

ACs ACs enhance transparency by reporting adaptation efforts, and can be integrated into NAPs and NDCs or submitted alongside National Communications (NCs), which track both mitigation and adaptation progress.

NAPAs for LDCs For Least Developed Countries, the National Adaptation Programmes of Action (NAPAs) address urgent adaptation needs, complementing broader planning and reporting instruments like NDCs and NAPs.

These instruments are critical in identifying adaptation priorities and assessing financing needs. They often include financial requirements, which are essential for mobilizing support from mechanisms such as the Green Climate Fund (GCF), Global Environment Facility (GEF), Special Climate Change Fund (SCCF), Least Developed Countries Fund (LDCF), and Adaptation Fund (AF). By linking national priorities with global finance, they strengthen the overall framework for climate adaptation and finance.

3 Pillars of the New Era of Climate Finance

NCQG

Quantity of finance

- Climate finance needs are estimated to exceed \$1 trillion annually. Developing countries demanded a minimum of \$1.3 trillion.
- Developed countries proposed \$250 billion.
- The final financial goal was set at \$300 billion. Developing countries expressed disappointment.

Quality of finance

- The \$100 billion target relied heavily on non-concessional finance, worsening debt for developing countries.
- Grant-based finance is preferred to ease financial burdens and support adaptation efforts.
- The final text emphasizes the need for grants and non-debt-inducing funding.

3 MAIN PILLARS



Status of NAP formulation of 155 Developing Countries-World Wide

Status of NAP formulation of 46 Countries-Asia Pacific

- The \$100 billion target was funded by 24 developed countries. Some developed countries argued that the global landscape has changed and other developing nations should also contribute based on emissions.
- Developing countries opposed this, citing the legal mandate under Article 9 of the Paris Agreement, which specifically requires developed countries to contribute to global climate finance.
- The final text calls for developed countries to lead with \$300 billion annually by 2035, with the \$1.3 trillion target framed as a collective effort, including voluntary South-South cooperation. Developing countries criticized the "voluntary" approach, claiming it undermines climate justice.

Debates and Criticism



Way Forward

Baku to Belém Roadmap to 1.3T

- The final text calls for scaling up climate finance to \$1.3 trillion annually by 2035, supporting low emissions and climate-resilient development through grants and concessional instruments.
- Developed countries emphasize private sector involvement to realise the \$1.3 trillion target.
- Critics argue private investment is unlikely for non-profitable projects in developing countries. Reliance on private finance, especially those that are not within the remit of the UNFCCC is risky.



Reflection Points

NDCs and NAPs guide climate finance access, but in many Asian countries and PSIDS, funds are delivered outside national budgetary systems manifesting in misalignment between national priorities and local needs.

The total adaptation finance available is a fraction of what's required. Most available finance is non-concessional. There's a significant imbalance in allocation- 67% is allocated to mitigation. This highlights the issues in quantity and quality of finance for adaptation.

Adaptation projects are not satisfactory. There are issues in the design and implementation of adaptation, leading to poor utilization of funds. Strengthening capacity is vital for effective adaptation. Since capacity building is not revenue generating, it is overlooked in budget allocation and project design.

Do the national adaptation priorities (as articulated in the National Adaptation Plans (NAPs) and Nationally Determined Contributions (NDCs) reflect the local needs and priorities? If not, what can be done to bridge the gap?

Is the major barrier to effective climate adaptation action inadequate funds, difficulty in accessing funds, or challenges in implementing and utilizing the money?

The tardy progress in adaptation is primarily due to the insufficient quantity of finance and or is it also linked to the quality of available finance, particularly the lack of grant-based funding?

What are the institutional and organizational (including capacities) challenges around accessing and utilizing climate finance?

In your opinion what are the capacities required at the local and sub-national scales to facilitate locally led adaptation?